

Estate Tax Reform Act of 2001

- The Estate Tax Reform Act of 2001, co-sponsored by Senator Kent Conrad (D-ND) and Senator Thad Cochran (R-MS), is designed to reform the estate tax to ensure that owners of smaller estates, particularly family farmers and small business owners, no longer have to worry about whether they will be subject to the estate tax. When fully phased in, virtually all family farms and small businesses would be exempt from the estate tax.
- The legislation would immediately raise the estate tax exemption to \$1 million for individuals, \$2 million for couples, \$1.5 million for family farms and small businesses, and \$3 million for couples owning family farms and small businesses – exempting more than 40 percent of estates that would otherwise be subject to the tax in 2002.
- The legislation would continue to raise the estate tax exemption to \$2 million for individuals, \$4 million for couples, \$4 million for family farms and small businesses, and \$8 million for couples owning family farms and small businesses by 2006.
- The legislation would increase the unified credit – the effective exemption level for individuals and couples – according to the following schedule:

Individuals		Couples	
2002	\$1 million	2002	\$2 million
2003	\$1.125 million	2003	\$2.25 million
2004	\$1.250 million	2004	\$2.5 million
2005	\$1.500 million	2005	\$3 million
2006	\$2 million	2006	\$4 million

- The legislation would increase the deduction for qualified family-owned business interests – the effective exemption level for family farms and small businesses – according to the following schedule:

Individuals		Couples	
2002	\$1.5 million	2002	\$3 million
2003	\$2 million	2003	\$4 million
2004	\$2.5 million	2004	\$5 million
2005	\$3 million	2005	\$6 million
2006	\$4 million	2006	\$8 million

- When fully implemented, its effect would be to exempt more than two-thirds of the few estates that would be subject to the estate tax under current law. Fewer than two percent of estates pay any estate tax at all under current law, with the largest five percent of those – estates with assets exceeding \$5 million – paying nearly half the estate taxes.
- Under current law, only estates valued at more than \$675,000, or \$1.35 million for a couple, pay any estate tax; and the exemption is already scheduled to rise to \$1 million, or \$2 million for a couple, by 2006. Current law also gives an additional exemption that essentially results in a \$1.3 million exclusion for small businesses and family farms, leaving only a tiny fraction subject to any estate tax.

